

**REPORT TO THE MISSOURI PUBLIC SERVICE COMMISSION
REGARDING CASE NUMBER OO-2002-202
ON THE MATTER OF AN INVESTIGATION
INTO PUBLIC UTILITY EMERGENCY PREPAREDNESS**

Procedural History

On October 23, 2001, the Commission's Staff filed a motion to establish an investigative case. Staff proposed to survey Missouri utilities concerning their preparedness for disaster and emergency situations including procedures for dealing with terrorist threats or attacks. On October 31, 2001, the Missouri Public Service Commission (Commission) established Case No. OO-2002-202 for the purpose of "surveying Missouri utilities and receiving interim and final reports by the Commission's Staff." A survey composed of 11 questions was mailed to all companies on the Commission's Utility Service List on October 31, 2001. These companies include 104 city and municipality, 52 electric (includes 46 electric cooperatives), 14 gas, 612 telephone (includes ILECs, CLECs, IXC's, and resellers), and 85 water and sewer utilities. Companies were requested to respond to the survey by December 1, 2001. On December 14, 2001, the staff filed an up date in this case with the Commission reporting on the progress of this project.

Security Survey

The survey questionnaire included the following 11 questions:

1. Do you currently have an Emergency Plan in effect?
2. What is included in the plan? (Please list all topics)
 - a. Does it include computer systems?
 - b. Does it include hazardous materials?
3. If you currently have an Emergency Plan, how often is it reviewed?
4. Are periodic emergency drills held that include all staff?
5. Does your Emergency Plan include procedures for terrorist attacks?
6. In an emergency, what state or federal agencies are you required to provide information?
7. What, if any, additional steps have you taken since the September 11, 2001 event to protect your staff and facilities?

8. What training do employees receive?
9. What is the name, address, and phone number of your emergency contact person?
10. Do you anticipate any impact on rates as a result of increased security measures?
11. Have you addressed emergency plans with external suppliers, contractors, and other business partners or vendors? If so, please explain.

Survey Response Rate

The following table illustrates the number of surveys sent and returned on the basis of utility type as of December 14, 2001:

Number of Surveys Sent/Returned by Utility Type						
	City/Municipal	Electric	Gas	Telephone	Water & Sewer	Total
# Sent	104	52	14	612	85	867
# Returned	40	35	7	152	28	262
Response Rate	38%	67%	50%	25%	33%	30%

As shown, 30% of the surveys sent out were returned by December 14, 2001. The response rate by utility type ranged from 25% for telephone utilities to 67% for electric utilities. It should be noted that combination utilities that provide more than one type of utility service were sent a survey questionnaire for each utility service they provide; however, in most cases only one survey was returned. For example, one utility that serves both gas and electric customers was mailed two surveys: one for its gas operations and one for its electric operations, but only the gas survey was returned. Consequently, the summary of survey responses reflects that a survey was returned for the gas operations of the utility, but not the electric.

Survey Responses

Seven of the survey questions could be answered with a yes or no response. The following summary discussion includes a table for each of the five utility categories that summarize the utilities' responses to these seven questions. The seven questions and the abbreviated identifier used in the tables associated with each question are as follows:

1. Do you currently have an Emergency Plan in effect? (Emergency Plan?)
2. Does it include computer systems? (Computer Systems?)
3. Does it include hazardous materials? (Hazardous Materials?)
4. Are periodic emergency drills held that include all staff? (Emergency Drills?)
5. Does your Emergency Plan include procedures for terrorist attacks? (Terrorist Attacks?)
6. Do you anticipate any impact on rates as a result of increased security measures? (Rate Impact?)
7. Have you addressed emergency plans with external suppliers, contractors and other business partners or vendors? (External Suppliers?)

The summary of the city and municipal utility responses is provided in the following table:

City and Municipal Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	24	8	75%
2. Computer Systems?	10	30	25%
3. Hazardous Materials?	28	12	70%
4. Emergency Drills?	12	28	30%
5. Terrorist Attacks?	14	26	35%
6. Rate Impact?	4	36	10%
7. External Suppliers?	9	31	23%

As shown, approximately 75% of the city and municipal utilities indicated that they have an Emergency Plan in effect. About 70% include hazardous materials within the scope of the plan, 35% include plans for a terrorist attack, and 10% anticipate a rate impact from the emergency plan.

The summary of the electric utility responses is provided in the following table:

Electric Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	34	1	97%
2. Computer Systems?	22	13	63%
3. Hazardous Materials?	26	9	74%
4. Emergency Drills?	11	24	31%
5. Terrorist Attacks?	5	30	14%
6. Rate Impact?	2	33	6%
7. External Suppliers?	15	20	43%

As illustrated, about 97% of the electric utilities that responded indicated they have an emergency plan in effect. Computer systems and hazardous materials are covered in plans 63% and 74% of the time, respectively. About 14% of the electric utilities' plans include procedures for terrorist attacks and 6% anticipate a rate impact from their emergency plan.

The summary of the gas utility responses is provided in the following table:

Gas Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	7	0	100%
2. Computer Systems?	5	2	71%
3. Hazardous Materials?	4	3	57%
4. Emergency Drills?	4	3	57%
5. Terrorist Attacks?	3	4	43%
6. Rate Impact?	3	4	43%
7. External Suppliers?	5	2	71%

All of the gas utilities that responded indicated they have an emergency plan in place. Computer systems are addressed in about 71% of the plans and 43% of the gas utilities have incorporated procedures covering terrorist attacks. About 43% of the utilities anticipate a rate impact from their emergency plan.

The summary of the telephone utility responses is provided in the following table:

Telephone Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	60	92	39%
2. Computer Systems?	45	107	30%
3. Hazardous Materials?	29	123	19%
4. Emergency Drills?	23	129	15%
5. Terrorist Attacks?	14	138	9%
6. Rate Impact?	1	151	1%
7. External Suppliers?	30	122	20%

As shown, about 39% of the telephone utilities responded that they have an emergency plan. Approximately 30% of the plans incorporate computer systems. About 9% of the telephone utility plans include procedures for terrorist attacks and only 1% anticipate a rate impact.

The summary of the water and sewer utility responses is provided in the following table:

Water & Sewer Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	26	9	74%
2. Computer Systems?	9	19	32%
3. Hazardous Materials?	10	18	36%
4. Emergency Drills?	7	21	25%
5. Terrorist Attacks?	7	21	25%
6. Rate Impact?	4	24	14%
7. External Suppliers?	6	22	21%

As illustrated, approximately 74% of the water and sewer companies indicated they have an emergency plan. About one-third of the plans address computer systems and hazardous materials. Approximately 25% of the water and sewer companies have included procedures for terrorist attacks and 14% of the companies anticipate a rate impact from their plans.

The following table summarizes the percentage of yes responses provided by each of the five categories of utilities:

Percentage of Yes Utility Responses					
	City & Municipal	Electric	Gas	Telephone	Water & Sewer
1. Emergency Plan?	75%	97%	100%	39%	74%
2. Computer Systems?	25%	63%	71%	30%	32%
3. Hazardous Materials?	70%	74%	57%	19%	36%
4. Emergency Drills?	30%	31%	57%	15%	25%
5. Terrorist Attacks?	35%	14%	43%	9%	25%
6. Rate Impact?	10%	6%	43%	1%	14%
7. External Suppliers?	23%	43%	71%	20%	21%

It is interesting to note that gas utilities responded yes the greatest percentage of time to all but one of the seven questions. Electric utilities tended to address hazardous materials in more of their plans than any other type of utility. The percentage of companies that have incorporated terrorist attack procedures in their plans ranges from 9% at telephone companies to 43% at gas companies.

General Observations

Missouri utility companies who responded to the survey indicated preparedness for a variety of types of emergencies. Missouri's natural gas companies responded that they have emergency plans in place that in addition to addressing physical plant and operations, address Company computer systems. While not all gas companies responded that their plans specifically addressed terrorists' attacks, all respondents indicated that their plans did address emergencies that could potentially impact utility operations such as fires, gas leaks, explosions and others.

The gas companies also generally indicated that additional security measures had been taken since the September 11, 2001 tragedies. For example, one company responded that it had developed contingency plans for relocation of its business units either to another company location or off-site completely. This same company has also begun changing the color of visitor badges daily to insure that unauthorized persons cannot reuse badges.

All the major electric companies responded to the Commission survey that they have emergency plans in effect. These companies also indicated that their emergency plans addressed company computer systems. As indicated by at least one survey response, the fact that companies recently prepared for the Year 2000 regarding their computer systems has provided additional preparation for other types of disasters including terrorist attacks. Several companies responded that they have further developed plans to address suspicious mail and bomb threats as well as plans to control access to facilities during threats such as possible attacks on utility property. All large electric companies indicated they have made additional preparations since September 11, 2001.

The state's water utilities indicated that they have emergency operating plans that address both computer systems and hazardous materials. The plans include shut-down procedures, fire notification and response as well as procedures to address major power losses. The responses indicated further that they have developed separate plans to address possible terrorist attacks and threats to any of their facilities and, like other utility industries, have taken additional security measures since September 11, 2001.

The major telecommunication companies have emergency plans in place and have indicated that since September 11, 2001 they have operated with "increased awareness" or in an "alert status."

Based upon its review of the survey responses and review of a draft "best practices" document developed by the American Gas Association, the staff has accumulated the attached list of "Best Practices" for Improving Security. This is not an all-inclusive list and is being provided as suggestions for consideration of enhanced security measures. A Commission staff review found that many of the items presented as "best practices" are currently being performed by Missouri's utilities as presented in their survey responses. Some of these items include: keeping employees informed and promoting a higher state of vigilance, increased use of patrols, protecting access to facilities, and others.